

Message Text

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OMB-01 SS-15 SSO-00 INRE-00 /088 W

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O R 151045Z JAN 75

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC IMMEDIATE 1894

INFO AMEMBASSY BANGKOK

AMCONSUL BIEN HOA

AMCONSUL CAN THO

AMCONSUL DANANG

AMEMBASSY JAKARTA

AMCONSUL NHA TRANG

AMEMBASSY PARIS

AMEMBASSY SEOUL

AMEMBASSY TOKYO

USIA WASHDC

USDEL JEC PARIS UNN

CIA

DIA

JCS

JUSMAAG

WHITE HOUSE

USAJFKCMA/ATCS-WL-DSA

CINCPAC

CINCPACAF

CINCPACFLT

DEPCHIEF JUSMAAG UDORN

USDAO/SAIGON

AMEMBASSY LONDON

AMEMBASSY BUDAPEST

AMEMBASSY CANBERRA

AMEMBASSY COTONOU

AMEMBASSY MANILA

AMEMBASSY MOSCOW

AMEMBASSY PHNOM PENH

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AMEMBASSY STOCKHOLM

AMEMBASSY VIENTIANE
AMEMBASSY WARSAW
AMEMBASSY WELLINGTON

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CINCPAC FOR POLAD
DEPARTMENT PASS IMMEDIATE IBS/NCA

E.O. 11652: GDS
TAGS: PINT PFOR ECON VS
SUBJ: EMBASSY SAIGON'S MISSION WEEKLY FOR JAN 8-15, 1975

WEEKA ITEMS

-- THE MILITARY SITUATION
--PRESIDENT THIEU SPEAKS TO NATION
--REACTION TO PHUOC LONG
--OPPOSITION CHARGES OF ILLEGAL LAND ACQUISITION INVOLVING
MRS. THIEU
--SVN LEGISLATORS INVITED TO US
--AMNESTY FOR PRISONERS
--HOA HAO UPDATE
--AMNESTY FOR FIRST-TIME DESERTERS'
--PHUOC LONG FOLLOWUP
--FOREIGN MINISTER RETURNS FROM AFRICA
--AMERICAN OFFICIALS VISIT
--SVN APPEALS IN SWEDEN FOR HUMANITARIAN AID
--CREDIT MEASURES TAKE EFFECT
--BUDGET PROMULGATED
--RICE COLLECTION CAMPAIGN
--PRICES IN PRE-TET UPSWING
--GOLD, BLACK MARKET DOLLARS UP marginally

I. INTERNAL

A. THE MILITARY SITUATION

THE NUMBER OF INCIDENTS WAS UP MORE THAN 50 PERCENT
THIS WEEK, MAINLY AS A RESULT OF THE RESUMPTION OF THE HEAVY
FIGHTING IN THE DELTA. CASUALTIES ON BOTH SIDES WERE ALSO
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HIGHER, BUT THE INCREASE WAS NOT COMPARABLY GREAT. GVN
FORCES - IN GENERAL - CONTINUE TO ACQUIT THEMSELVES WELL.
THIS WAS PARTICULARLY TRUE DURING THE PERIOD IN MR-2'S BINH
DINH PROVINCE AND MR-3'S BINH TUY PROVINCE.

B. PRESIDENT THIEU SPEAKS TO NATION

THE EVENING OF JAN 10 PRESIDENT THIEU GAVE A FIFTEEN MINUTE

ADDRESS OVER NATIONAL TELEVISION. HE REPEATED HIS STATEMENT OF THREE DAYS PREVIOUSLY THAT THE LOSS OF PHUOC LONG MUST BE SEEN AS TEMPORARY SETBACK. "WE SHALL RETURN TO PHUOC LONG AS WE HAVE RETURNED TO RACH BAP, AN DIEN, KIEN DUC AND LE MINH," HE STATED.

THE PRESIDENT SAID THAT RECENT COMMUNIST ATTACKS MAKE CLEAR THREE THINGS: FIRST, THE BLATANT, LARGE-SCALE ATTACK ON PHUOC LONG IS NOT AN ISOLATED CASE BUT EVIDENCE OF ARMED AGGRESSION. IT IS ALSO EVIDENCE THAT HANOI IS USING PARIS AGREEMENT AS FACADE FOR ANNEXING SVN. FROM NOW ON THEIR DECLARATIONS WILL HAVE NO MEANING WHATSOEVER; SECOND, THE ATTACK ON PHUOC LONG AIMS AT ILLEGALLY ENLARGING COMMUNIST AREAS OF TEMPORARY MILITARY CONTROL, AT DEVELOPING THEIR SUPPLY SYSTEM, AND AT OCCUPYING OTHER AREAS. THUS, THEIR GENERAL OFFENSIVE REALLY CONTINUES. FURTHERMORE, THEIR OFFENSIVE COINCIDES WITH THEIR LEAVING THE CONFERENCE TABLE AND IS CONCURRENT WITH THEIR ATTEMPT TO PLACE ALL OF SVN UNDER THE DOMINATION OF HANOI; THIRD, ALL UNFOUNDED AND IRRESPONSIBLE SPECULATION MUST STOP: A MINORITY MUST STOP LENDING A HELPING HAND TO THE COMMUNISTS. THIEU SAID THAT THE ONLY THING THAT COUNTS NOW IS THE LIFE AND DEATH STRUGGLE OF THE COUNTRY.

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C. REACTION TO PHUOC LONG

DEMONSTRATIONS AND RALLIES PROTESTING THE SEIZURE OF PHUOC LONG HAVE BEEN ORGANIZED ALL OVER THE COUNTRY BY PROVINCIAL AND MINICIPAL COUNCILS. USUALLY COMPRISING STUDENTS, GOVT WORKERS, VETERANS GROUPS AND THE LIKE, THESE RALLIES HAVE IN A NUMBER OF CASES INVOLVED DELIVERY OF PROTEST PETITIONS TO THE LOCAL ICCS DELEGATIONS, AND FOR THE MOST PART HAVE BEEN PEACEFUL AND ORDERLY (SAIGON 382).

IN SAIGON, THE MOST RESPECTED OF RESPONSIBLE OPPOSITION POLITICAL GROUPINGS, THE SOCIAL DEMOCRATIC ALLIANCE, RELEASED A DECLARATION JAN 8 STRONGLY CONDEMNING THE COMMUNISTS (SAIGON 456). THEY POINTED OUT THAT SINCE PHUOC LONG HAD BEEN COMPLETELY GVN CONTROLLED WHEN THE PARIS AGREEMENT WAS SIGNED, THE RECENT ATTACK WAS A CLEAR VIOLATION OF THE AGREEMENT. FACED WITH THE DANGER OF A RETURN TO TOTAL WAR AND A COMPLETE

BREAKDOWN OF THE PARIS AGREEMENT, THE SDA APPEALED TO THE ICCS AND SIGNATORIES OF THE PARIS AGREEMENT TO TAKE APPROPRIATE MEASURES TO STOP THE COMMUNIST AGGRESSION. THE ALLIANCE CALLED ON THE GOVT TO REVIEW AND IMPROVE ITS POLICIES AND LEADERSHIP TO INCREASE GVN EFFECTIVENESS IN COMBATTING THE COMMUNISTS. THE SDA ALSO APPEALED TO ALL NON-COMMUNIST VIETNAMESE TO UNITE IN "CONSECATING ALL THEIR EFFORTS TO THE TASK OF FIGHTING FOR PEACE AND PRESERVING FREEDOM FOR SOUTH VIETNAM."

WHILE MOST POLITICAL GROUPS AND THE POPULATION AT LARGE CLEARLY BLAME THE COMMUNISTS FOR PHUOC LONG, GOVT POLICIES AND DECLINING US ASSISTANCE HAVE NOT COMPLETELY ESCAPED CRITICISM. AFTER THE EARLIER ATTACK BY THE PEOPLE'S SOCIETY BLOC (LAST CONFIDENTIAL

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WEEK'S WEEKA), ANOTHER LOWER HOUSE OPPOSITION ELEMENT, THE NATIONALIST GROUP, REPORTEDLY RAISED QUESTIONS ABOUT THE YET "UNDISCLOSED REASONS" FOR PHUOC LONG. THE PRESS ALSO REPORTS THE MILITANT LAWYER'S FORCE AS BLAMING PHUOC LONG ON MEDIOCRE GOVT LEADERSHIP AND CORRUPTION IN THE ARMY. SIMILARLY A MEMBER OF THE LOWER HOUSE PEOPLE'S RIGHTS GROUP REPORTEDLY CALLED FOR THE VOLUNTARY RESIGNATION OF THOSE RESPONSIBLE FOR PHUOC LONG IN THE GOVT. ALLEGING A GENERAL EROSION OF CONFIDENCE, HE ATTRIBUTED IT TO ARVN'S DECLINING FIRE POWER, THE WORSENING ECONOMIC SITUATION AND CORRUPTION IN THE ARMY. MUCH COMMENT HAS LINKED THE FALL OF PHUOC LONG WITH REDUCED US MILITARY ASSISTANCE. SO FAR, HOWEVER, WE HAVE PICKED UP NO SIGNS THAT POPULAR CONCERN AND SADNESS OVER THE PRESUMED INADEQUACY OF LOGISTIC SUPPORT FOR PHUOC LONG'S DEFENDERS IS CHANGING INTO WIDESPREAD BITTERNESS OVER INSUFFICIENT AMERICAN AID.

D. OPPOSITION CHARGES OF ILLEGAL LAND ACQUISITION INVOLVING MRS. THIEU

GROUP OF OPPOSITIONISTS INCLUDING FR. TRAN HUU THANH, THICH PHAP LAN, SENATOR TON AI LIENG, AND MILITANT LAWYERS HO TRI CHAU AND BUI TUONG CHIEUR HAVE REPORTEDLY FILED SUIT BEFORE SUPREME COURT ASKING FOR ABROGATION OF TWO MINISTERIAL DECREE LAWS ALLOWING THE PRESIDENT'S WIFE TO PURCHASE SOME 300 HECTARES OF PUBLIC FOREST AND FARM LAND IN LONG KHANH PROVINCE IN 1972 FOR 1,000 PIASTERS PER HECTARE. THE GROUP CHARGES THAT TRANSACTION VIOLATES ARTICLE 68, CHAPTER 2 OF THE CONSTITUTION, WHICH STATES THAT THE SPOUSES OF THE PRESIDENT AND VICE PRESIDENT MAY NOT ENTER INTO A CONTRACT WITH A PUBLIC AGENCY; THUS, SAY THE WOULD-BE PLAINTIFFS, THE TRANSFER OF OWNERSHIP OF PUBLIC LANDS TO THEM IS UNCONSTITUTIONAL.

THE OPPOSITION ACCUSATION IS ONE OF SEVERAL AGAINST THE PRESIDENT AND MRS. THIEU MADE PUBLICLY BY SENATOR NGUYEN DUC

QUY ON DEC 13 VIA A MIMEOGRAPHED STATEMENT. QUY CHARGED THAT THE TWO GRANTS OF LAND TO MRS. THIEU AMOUNTED TO REQUISITION OF THE LAND UNDER COVER OF A PURCHASE AGREEMENT.

E. SVN LEGISLATORS INVITED TO US

MFA AND OTHER SOURCES INDICATE SEVERAL DELEGATIONS OF
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VIETNAMESE UPPER AND LOWER HOUSE MEMBERS MAY VISIT THE US IN FUTURE TO INFORM US PUBLIC AND CONGRESS OF STEPPED UP NORTH VIETNAMESE SITUATION IN ATTACKS. IT IS ANTICIPATED THAT SENATE CHAIRMAN TRAN VAN LAM WILL HEAD A GROUP OF FOUR SENATORS IN A VISIT THE LATTER PART OF OF JANUARY. THE GROUP WILL PROBABLY INCLUDE LEADER

OF PRO-GOVT UNITY BLOC SENATOR HUYNH VAN CAO, LEADER OF PRO-GOVT DEMOCRACY BLOC TRAN MINH TUNG, AND CHAIRMAN OF FOREIGN RELATIONS AND INFORMATION COMMITTEE NGUYEN DUY TAI.

F. AMNESTY FOR PRISONERS

ON THE OCCASION OF CHRISTMAS, PRESIDENT THIEU SIGNED A DECREE LAW ON DEC 24, 1974 GIVING AMNESTY TO 350 SVN PRISONERS, OF WHOM ONE HAD HIS PENALTY REDUCED TO THIRTY YEARS HARD LABOR, 123 WERE FREED AND 226 RECEIVED PENALTY MITIGATION.

IN ADDITION, 137 OTHER PRISONERS RECEIVED LENIENCY THROUGH PROVINCIAL GOVT ACTION, BRINGING THE TOTAL NUMBER OF AMNESTY RECIPIENTS TO 487.

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FM AMEMBASSY SAIGON
TO SECSTATE WASHDC IMMEDIATE 1896
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G. HOA HAO UPDATE

PRIME MINISTER KHIEM AND MILITARY SECURITY DIRECTOR BG VO
DUC NHUAN ALONG WITH OTHER GVN OFFICIALS MET WITH HOA HAO
REPRESENTATIVES ON JAN 8 TO HEAR AND DISCUSS A HOA HAO REQUEST

FOR ABOUT FIFTY THOUSAND WEAPONS TO BE USED TO FIGHT COMMUNIST FORCES IN THE DELTA. A FORMAL REPLY TO THE HOA HAO REQUEST IS BEING PREPARED, BUT AN OFFICIAL RVNAF INTELLIGENCE AGENCY REPORT INDICATES THAT THE GVN WILL REFUSE TO ISSUE THE ARMS. GVN WILL INSTEAD URGE HOA HAO TO CONTINUE TO JOIN ALREADY EXISTING TERRITORIAL FORCES WHICH WILL ENABLE SECT MEMBERS TO SERVE IN AREAS CLOSE TO THEIR HOMES.

MOBILIZATION DIRECTORATE CHIEF MG BUI DINH DAM TOLD EMBOFFS JAN 13 THAT THE NUMBER OF RELIGIOUS DRAFT DEFERMENTS ("MOBILIZATION IN PLACE") GIVEN TO THE HOA HAO HAS BEEN INCREASED FROM 500 TO 3,000. TWO THOUSAND OF THESE HAVE BEEN GRANTED TO THE DOMINANT TUONG FACTION; FIVE HUNDRED EACH HAVE BEEN GIVEN TO THE LE QUANG LIEM AND HUYNH VAN NHIEM FACTIONS. TOTAL DRAFT DEFERMENTS COUNTRYWIDE, SAID DAM, ARE 40,000.

H. AMNESTY FOR FIRST-TIME DESERTERS

THE MINISTRY OF NATIONAL DEFENSE HAS ANNOUNCED AN AMNESTY TO BE EXTENDED TO ALL MILITARY MEN WHO DESERTED FOR THE FIRST TIME PRIOR TO JAN 1, 1975 WHO TURN THEMSELVES IN BEFORE FEB 15. (TET THIS YEAR WILL BE CELEBRATED FEB 11-13.) DESERTERS MAY TURN THEMSELVES IN TO ANY MILITARY POST. THE MINISTRY COMMUNIQUE STATED THAT "ON THE OCCASION OF TET OF THE YEAR OF THE CAT, THE MINISTRY OF NATIONAL DEFENSE HAS DECIDED TO PROMULGATE THE SPECIAL AMNESTY...
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TO PERMIT DESERTERS TO HAVE THE OPPORTUNITY TO SERVE THE NATION." DESERTERS WHO TURN THEMSELVES IN WILL NOT BE JAILED BUT BE "RETURNED TO THE ARMY'S RANKS." THOSE DESERTERS WHO ARE CAPTURED OR WHO PRESENT THEMSELVES AFTER FEB 15 WILL BE PROSECUTED ACCORDING TO MILITARY LAW.

II. EXTERNAL

A. PHUOC LONG FOLLOWUP.

IN FURTHER REACTION TO SEIZURE OF PROVINCE OF PHUOC LONG BY NORTH VIETNAMESE FORCES LAST WEEK, GVN SENT ANOTHER NOTE TO PARTIES TO ACT OF PARIS CONFERENCE DATED JAN 8 FORWARDING TO THEM GVN DECLARATION OF JAN 8. (DECLARATION CONDEMNED COMMUNIST SIDE FOR CAPTURE OF PHUOC LONG, CITED THIS AS PROOF OF HANOI'S INTENT TO CONQUER SVN BY FORCE, REITERATED GVN SUPPORT FOR PARIS AGREEMENT, EMPHASIZED NEED FOR AID TO THE VICTIMS OF AGGRESSION, RECALLED GVN ALWAYS WILLING TO NEGOTIATE, AND CALLED ON ALL LOVERS OF PEACE IN THE WORLD TO USE THEIR INFLUENCE ON COMMUNIST SIDE TO END AGGRESSION AND APPLY PARIS AGREEMENT.) NOTE CALLED ON PARTIES TO TAKE MEASURES TO INDUCE COMMUNIST SIDE TO CEASE ITS AGGRESSION AND RESUME NEGOTIATIONS IN LA CELLE SAINT CLOUD AND SAIGON.

GVN OFFICIALS HAVE WELCOMED US NOTE OF JAN 11 TO PARTICIPATE IN INTERNATIONAL CONFERENCE ON VIETNAM AS EVIDENCE OF US SUPPORT FOR GVN AND FOR GVN DIPLOMATIC CAMPAIGN TO CITE PHUOC LONG EXAMPLE TO BRING HOME TO WORLD OPINION AND GOVTS FACTS OF COMMUNIST AGGRESSION AND VIOLATION OF PARIS AGREEMENT. PRESS REACTION IS NOT YET AVAILABLE.

B. FOREIGN MINISTER RETURNS FROM AFRICA.

FOREIGN MINISTER VUONG VAN BAC RETURNED JAN 12 FROM AN AFRICAN TOUR CUT SHORT BECAUSE OF CURRENT EVENTS. BAC HAD NEVERTHELESS MET WITH GVN CHIEFS OF MISSION IN EUROPE (IN PARIS) AND AFRICA (IN ABIDJAN) AND VISITED IVORY COAST, GAMBIA, SIERRA LEONE, AND MOROCCO. EXCEPT FOR SIERRA LEONE, HE WAS GRANTED AN AUDIENCE WITH CHIEF OF STATE IN EACH COUNTRY VISITED.

C. AMERICAN OFFICIALS VISIT.

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UNDER SECRETARY OF STATE FOR SECURITY AFFAIRS, CARLYLE E. MAW, VISITED SAIGON JAN 6 TO 8. DURING HIS VISIT HE RECEIVED EMBASSY BRIEFINGS ON THE MILITARY SITUATION AND STATUS OF MILITARY AND ECONOMIC ASSISTANCE PROGRAMS FOR VIET-NAM. UNDER SECRETARY MAW ALSO HAD MEETINGS WITH PRESIDENT THIEU, PRIME MINISTER KHIEM, AND DEPUTY PRIME MINISTER FOR ECONOMIC AFFAIRS HAO.

USAF CHIEF OF STAFF, GENERAL DAVID JONES, PAID A ONE DAY VISIT TO SAIGON 11 JAN. GENERAL JONES WAS OFFERED LUNCH BY PRESIDENT THIEU, MET WITH VIETNAMESE AIR FORCE OFFICERS AND GENERAL VIEN, CHAIRMAN OF THE JOINT GENERAL STAFF, AND TOURED TAN SON NHUT AIRBASE.

D. SVN APPEALS IN SWEDEN FOR HUMANITARIAN AID

EMBASSY STOCKHOLM REPORTS UNOFFICIAL GVN REP THERE HAS ORGANIZED DISTRIBUTION OF 250,000 LEFLETS APPEALING FOR ASSISTANCE TO SUFFERING CHILDREN OF SVN INCLUDING NAMES OF 68 PROMINENT SWEDES WHO SUPPORTED APPEAL. EMBASSY STOCKHOLM COMMENTS TIMING ESPECIALLY PROPITIOUS IN VIEW CURRENT NVA OFFENSIVE, AND THAT SUCH INITIATIVES BY SOUTH VIETNAMESE THEMSELVES, BASED ON BROAD APPEALS TO SENSE OF JUSTICE AND HUMANITARIANISM OF SWEDISH PEOPLE, CONSTITUTE MOST EFFECTIVE APPROCH BY GVN IN LIGHT OF PREVAILING ATTITUDES IN STOCKHOLM.

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DIA

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JUSMAAG

WHITE HOUSE

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CINCPAC

CINCPACAF

CINCPACFLT

DEPCHIEF JUSMAAG UDORN

USDAO/SAIGON

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AMEMBASSY BUDAPEST

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BEGIN UNCLASSIFIED

III. ECONOMIC

A. CREDIT MEASURES TAKE EFFECT

THE NATIONAL BANK REDUCED ITS REGULAR DISCOUNT RATE THIS WEEK FROM 22PERCENT TO 18 PERCENT AND INCREASED THE FUNDS FOR REDISCOUNTING BY VN\$5 BILLION. THE DISCOUNT RATE FOR A FEW SPECIAL CATEGORIES, SUCH AS RICE PURCHASING, WAS ALSO CUT FROM 12 TO 8 PERCENT. THE DISCOUNT WINDOW AT THE NATIONAL BANK IS AVAILABLE ONLY FOR HIGH PRIORITY COMMERCIAL PAPER WHICH FINANCES RICE, FERTILIZER, AND WORKING CAPITAL LOANS TO KEY INDUSTRIES, MOSTLY THOSE CAUGHT IN THE CURRENT LIQUIDITY SQUEEZE. THE "OTHER INDUSTRIES", HOWEVER, HAVE NOT AS YET BEEN IDENTIFIED.

SHORTLY AFTER THENATIONAL BANK MOVE, COMMERCIAL LENDING RATES SOFTENED SLIGHTLY. THE GOVERNMENT CONTROLLED CREDIT COMMERCIAL BANK, THE LARGEST BANK IN THE COUNTRY, DROPPED ITS PRIME RATE FROM 25 TO 22 PERCENT ON LOANS ELIGIBLE FOR REDISCOUNTING AND OTHER LOANS FROM A RANGE OF 27-30 PERCENT TO A RANGE OF 24-27 PERCENT. OTHER BANKS WERE REPORTED TAKING SIMILAR ACTION.

THE NATIONAL BANK ALSO REMOVED THE TAX EXEMPTION FROM SPECIAL TRASURY BILLS PURCHASED BY COMMERCIAL BANKS, ON 12-MONTH BILLS, EFFECTIVE THIS MONTH. THE BANKS WILL NO LONGER ACTUALLY BUY BILLS. INSTEAD, THE NATIONAL BANK WILL OPEN A TREASURY BILL ACCOUNT FOR EACH, PAYING 19 PERCENT ON THE AVERAGE DAILY BALANCE, BUT THE INTEREST WILL BE LIABLE TO THE 45 PERCENT CORPORATE INCOME TAX. THE NET EFFECT IS TO RAISE THE RATE PAID FROM AN ESTIMATED
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17 PERCENT UNDER THE OLD SYSTEM, (EQUIVALENT TO 31 PERCENT RETURN IN TAXABLE INCOME) WHICH OFFSETS SOMEWHAT THE LOSS OF THE TAX EXEMPTION. THE BANKS ARE REQUIRED TO KEEP 33 PERCENT OF THEIR DEPOSITS IN THE TREASURY BILL ACCOUNT, AS WELL AS 10 PERCENT ON DEPOSIT AT THE NATIONAL BANK WHERE IT EARNS NO INTEREST, LEAVING

LITTLE OF THEIR DEPOSITS FOR ACTUAL LENDING. EVEN SO, MANY BANKS IN THE LAST YEAR HAVE BOUGHT MORE THAN THE REQUIRED AMOUNT OF TREASURY BILLS, AS THEY HAVE BEEN UNABLE TO PLACE COMMERCIAL LOANS EXCEPT AT AN UNACCEPTABLE RISK.

OTHER CORPORATIONS WHICH PURCHASE TREASURY BILLS OR HOLD INTEREST-BEARING SAVINGS DEPOSITS IN PRIVATE BANKS WILL NOW ALSO HAVE TO PAY INCOME TAX ON EARNINGS THEREFROM. PRIVATE INDIVIDUALS WILL CONTINUE TO ENJOY TAX EXEMPTION ON INTEREST FROM SAVINGS DEPOSITS AND TREASURY BILLS.

THE GOVERNMENT HAS ALSO SIMPLIFIED THE FORM OF TREASURY BILLS OFFERED TO THE GENERAL PUBLIC. INSTEAD OF SELLING SEVERAL DIFFERENT KINDS OF TREASURY BILLS IN VARYING AMOUNTS OF MATURITIES AND INTEREST RATES, THE BANK WILL NOW OFFER A SINGLE TYPE OF BOND IN DENOMINATIONS FROM VN\$10,000 TO VN\$1 MILLION. THE MINIMUM MATURITY WILL BE 12 MONTHS, CARRYING A 25 PERCENT INTEREST RATE. AN 18-MONTH BOND WILL OFFER 28 PERCENT AND A 24-MONTH BOND, 30 PERCENT. THE 12-MONTH BILL RATE IS NOW SLIGHTLY LOWER THAN THE RATE WHICH WAS IN EFFECT SINCE JULY 1ST AND ALSO LOWER THAN THE RATE ON COMMERCIAL BANK TERM DEPOSITS (26 PERCENT). THE 18 AND 24 MONTH BONDS, HOWEVER, OFFER A SLIGHTLY HIGHER RETURN THAN PREVIOUSLY (27-28 PERCENT).

COMMENT: THE NATIONAL BANK ALSO ANNOUNCED IT WOULD BEGIN A SYSTEM OF COMPULSORY DEPOSIT INSURANCE. THE GOVERNMENT IS SEEKING TO EASE CREDIT CONDITIONS FOR DOMESTIC AND EXPORT INDUSTRIES WHILE MAINTAINING RESTRICTIONS ON IMPORT CREDIT AS WELL AS TO LOWER THE GOVERNMENT'S INTEREST BURDEN. SINCE DEPOSIT RATES REMAIN UNCHANGED, AND SINCE THE BANKS MUST NOW PAY TAX ON TREASURY BILLS, BANK PROFITS WILL BE SQUEEZED SOMEWHAT THIS YEAR. THE INITIAL REACTION FROM THE BANKING COMMUNITY SUGGESTS THAT THEY WILL BE ABLE TO LIVE WITH THE NEW RATE STRUCTURE. SEVERAL BANKS, HOWEVER, HAVE COMPLAINED TO DEPUTY PRIME MINISTER HAO WHO HAS ASKED THE GOVERNOR TO REVIEW THE MATTER.

B. BUDGET PROMULGATED
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THE PRESIDENT SIGNED THE 1975 NATIONAL BUDGET JANUARY 11 CALLING FOR EXPENDITURES OF VN\$785.4 BILLION THIS YEAR. THAT SPENDING FIGURE, APPROVED BY THE NATIONAL ASSEMBLY A FEW DAYS EARLIER, WAS VN\$40 BILLION LESS THAN THE LEVEL PROPOSED BY THE PRESIDENT. AT THE SAME TIME, THE PRESIDENT SIGNED A VN\$70 BILLION SUPPLEMENTAL APPROPRIATION FOR 1974, WHICH IN EFFECT, RESTORED A SIMILAR AMOUNT THE NATIONAL ASSEMBLY HAD CUT FROM LAST YEAR'S BUDGET.

C. RICE COLLECTION CAMPAIGN

DEPUTY PRIME MINISTER HAO WENT TO THE DELTA LAST WEEK TO DISCUSS PLANS FOR GOVERNMENT RICE PURCHASES IN THE MAIN HARVEST SEASON. HE AND NATIONAL FOOD AGENCY (NFA) DIRECTOR TRAN QUANG MINH TOLD PROVINCE CHIEFS AND MERCHANTS IN CAN THO THAT THE GOVERNMENT HOPES TO PURCHASE 300,000 MT OF DOMESTIC RICE IN 1975, A SUBSTANTIAL INCREASE FROM THE 170,000 MT BOUGHT IN 1974. THAT IS EQUIVALENT TO PROJECTED NFA DISTRIBUTION THIS YEAR, MEANING THAT GOVERNMENT STOCKS WOULD REMAIN AT THE CURRENT HEALTHY LEVEL OF 250,000 MT (INCLUDING THE 45,000 MT DUE UNDER THE CAMBODIAN LOANS) BY YEAR'S END.

TO ACHIEVE THE TARGETED PURCHASES, THE GOVERNMENT WILL OFFER PREFERENTIAL INTEREST RATES ON BANK LOANS TO MERCHANTS IN RETURN FOR COMMITMENTS TO DELIVER RICE TO NFA. NFA WILL ALSO, FOR THE FIRST TIME, BEGIN ACCEPTING DELIVERY IN KEY DELTA PROVINCES, AS WELL AS SAIGON. MOREOVER, NFA WILL OFFER MERCHANTS CASH BONUSES ON LARGE CONTRACTS. SO FAR, THE GOVERNMENT HAS NOT ANNOUNCED ANY NEW OFFICIAL RICE PRICES.

D. PRICES IN PRE-TET UPSWING

WITH TET HOLIDAYS ONLY A MONTH AWAY, USAID'S CONSUMER PRICE INDEX FOR SIAONG CONTINUED TO CREEP UP, GAINING 0.4 PERCENT IN THE WEEK ENDING JANUARY 11. ALL OF THE INCREASE OCCURRED IN THE FOOD CATEGORY WHERE BEEF, FISH, AND SUGAR PRICES WERE UP 1 TO 6 PERCENT. PARTLY OFFSETTING THAT WAS A SEASONAL DECLINE IN VEGETABLE PRICES.

E. GOLD, BLACK MARKET DOLLARS UP marginally
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GOLD QUOTES ROSE SLIGHTLY IN SAIGON LAST WEEK, FROM \$203.42 PER OUNCE TO \$209.48, FIGURED AT THE OFFICIAL EXCHANGE RATE OF VN\$685/US\$1. IF FIGURED AT THE CURRENT BLACK MARKET DOLLAR RATE OF VN\$805, HOWEVER, THE LATEST GOLD QUOTE TRANSLATES TO \$178.24 AN OUNCE, WHICH IS LESS THAN \$1 ABOVE THE HONG KONG PRICE.
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